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FISCAL IMPACT STATEMENT

LS 7387

BILL NUMBER: HB 1713

NOTE PREPARED: Jan 12, 2007

BILL AMENDED:

SUBJECT: Rate recovery for new generating facilities.

FIRST AUTHOR: Rep. Crooks

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires the Utility Regulatory Commission (IURC) to issue an order approving or denying an application for a certificate of public convenience and necessity for: (1) the construction, purchase, or lease of an electric generating facility; or (2) the use of clean coal technology at an electric generating facility; not later than 120 days after the date of the application, unless the IURC finds that the applicant has not fully cooperated in the proceeding. The bill allows an eligible business to apply to the IURC for a retail rate adjustment mechanism to provide for a linear recovery of the business's forecasted costs incurred in connection with a new energy generating facility. The bill also allows the eligible business to begin recovering its forecasted costs under the retail rate adjustment mechanism beginning on the date on which all required certificates have been issued by the IURC.

Effective Date: Upon passage.

Explanation of State Expenditures: *IURC:* This bill will increase the administrative costs of the IURC by requiring the development and amendment of procedures relating to the certification of new construction, purchase, or lease of an electric generating facility, or clean coal technology use. The bill requires that these certifications be issued within 120 days after the application is filed, unless the IURC finds that the utility has not fully cooperated.

The bill also changes the way a utility may apply for rate adjustments under the new generating facility and clean coal technology statutes. The bill would allow a utility to apply for linear recovery of the business's forecasted costs incurred, rather than simply allowing recovery of forecasted costs. It is estimated that the IURC could implement these provisions through the use of existing staff and resources.

Rate Adjustment for Linear Recovery of Costs: This bill could cause an increase in expenditures for all state and local units of government. The amount of the possible increase will ultimately be determined by the rate adjustments allowed under the bill that would not be allowed under current law. It is estimated that the impact could be calculated by the difference, if any, between the forecast data for linear cost recovery and the forecasted data that would be brought forth under current law.

It must be noted that the bill does not require an adjustment to be made for the difference between the business's forecasted costs and the actual costs later incurred, as is required under current statute whenever forecasted costs are used. Therefore, it must be noted that there could be an increase utility costs for state and local units to the extent that the actual costs are less than the future costs and not adjustments are made. The amount of the increase in costs is indeterminable, and could be offset by the possible increase in Utility Receipts Tax (URT) and Utility Services Use Tax collections (USUT) from the increase in receipts by utilities increasing rates.

Explanation of State Revenues: If this bill causes an increase in utility rates, there could be an increase in URT and USUT collections due to the increase in gross receipts of the utility approved for a rate adjustment.

Background: The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana.

Explanation of Local Expenditures: This bill could cause an increase in expenditures for all state and local units of government. The amount of the possible increase will ultimately be determined by the rate adjustments that would be allowed under the bill, that would not be allowed under current law (see *Explanation of State Expenditures* above for a more detailed explanation).

Explanation of Local Revenues:

State Agencies Affected: All; Utility Regulatory Commission.

Local Agencies Affected: All.

Information Sources:

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